

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Canada

Food Service - Hotel Restaurant Institutional

An Overview of the Canadian Foodservice Market 2012

Approved By:

Robin Gray

Prepared By:

Sonya Jenkins

Report Highlights:

Canada's foodservice industry plays a key role in Canada's economy. With over C\$81 billion in sales, it accounts for nearly 5.0 percent of Canada's gross domestic product. It employs over 1.3 million people. With approximately 90,000 establishments (including hotels and other lodging facilities, restaurants, cafeterias, snack bars, pubs and caterers), the food service industry in Canada continues to provide excellent opportunities for U.S. food and beverage companies.

Post:

Ottawa

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Section I: Market Summary

Although Canada's economy has performed well relative to other economies in recent years; economic growth, job creation and increases in disposable income are all projected to slow in the next year which will have an effect on foodservice spending. The economic situation has also led to a decrease in tourism as well as more people preparing meals at home. Though over growth has been slow Alberta (7.5 percent), Saskatchewan (5.2 percent) and Manitoba (5.8 percent) posted the highest, consistent percentage growth in 2010/2011.

Lunch was the fastest growing day part (2.7 percent) in commercial foodservice in Canada in 2011, although snacking accounts for the largest portion of visits (34.1 percent). Growth in supper visits is slowing (0.2 percent). Breakfast is growing in importance particularly at quick service restaurants, with many adding breakfast sandwiches or oatmeal to their menus.

Hotels and Resorts

According to a report by the Hotel Association of Canada, the Hotel and Resort sector consisted of 8,486 establishments in 2010. These establishments accounted for 456,689 rooms. The distribution of rooms reflects population distribution with the greatest number of rooms found in Ontario (131,456), Quebec (104,583), British Columbia (79,780) and Alberta (70,359). Total revenue for this sector equaled C\$16.6 billion, with over C\$3 billion of that resulting from food and beverage sales (this excludes alcoholic beverages.)

Restaurants

Canada is home to 81,577 restaurants, bars and caterers who generate almost C\$64 billion in annual sales, or 4 percent of Canada's total GDP. Of these establishments, 63.5 percent are independent while 36.5 percent are part of a chain. Canadians make approximately 18 million restaurant visits daily. The industry purchases C\$23.3 billion of food and beverage products annually.

Institutional Contract

The Institutional foodservice sector in Canada totaled approximately C\$3.7 billion in 2011. This total was expected to climb 5.6 percent in 2012 to reach over C\$3.9 billion. The institutional sector consists of hospitals, residential care facilities, schools, prisons, factories, remote facilities and offices, including patient and inmate meals.

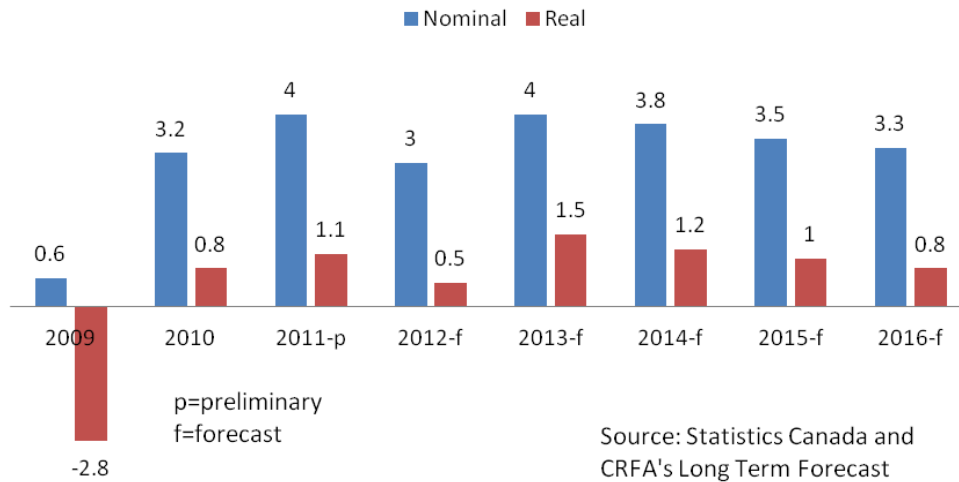
Breakdown of HRI Food Sales in Canada by Sub-sector

	2010 Final	% Change '10/'09	2011 Preliminary	% Change '11/'12	2012 Forecast	% Change '12/'11
Quick-service Restaurants	\$ 21,219.70	5.4	\$ 22,080.60	4.1	\$ 22,806.80	3.3
Full-service Restaurants	\$ 20,931.40	1.2	\$ 21,846.70	4.4	\$ 22,502.10	3
Caterers	\$ 3,997.60	7.1	\$ 4,209.40	5.3	\$ 4,339.90	3.1
Drinking Places	\$ 2,467.70	-3.4	\$ 2,427.20	-1.6	\$ 2,407.40	-0.8
Total Commercial	\$ 48,616.40	3.2	\$ 50,563.90	4	\$ 52,056.20	3

	2010 Final	% Change '10/'09	2011 Preliminary	% Change '11/'12	2012 Forecast	% Change '12/'11
Accommodation Foodservice	\$ 5,206.00	7.1	\$ 5,503.00	5.7	\$ 5,764.00	4.7
Institutional Foodservice¹	\$ 3,635.50	4.3	\$ 3,774.90	3.8	\$ 3,986.50	5.6
Retail Foodservice	\$ 1,284.60	0.2	\$ 1,306.70	1.7	\$ 1,326.30	1.5
Other Foodservice	\$ 2,254.80	2.7	\$ 2,304.40	2.2	\$ 2,350.50	2
Total Non-commercial	\$ 12,380.90	4.7	\$ 12,889.00	4.1	\$ 13,427.30	4.2
Total Foodservice	\$ 60,997.20	3.5	\$ 63,452.80	4	\$ 65,483.50	3.2
Menu Inflation		2.4		2.9		2.5
Real Growth		1.1		1.1		0.7
Source: CRFA's InfoStats, Statistics Canada, fsSTRATEGY Inc. and Pannell Kerr Foster Please check CRFA's website (www.crfa.ca for updates)						
All dollar amounts in millions of Canadian dollars						
¹ - Includes vending, sports and private clubs, movie theatres, stadiums, and other seasonal or entertainment operations						

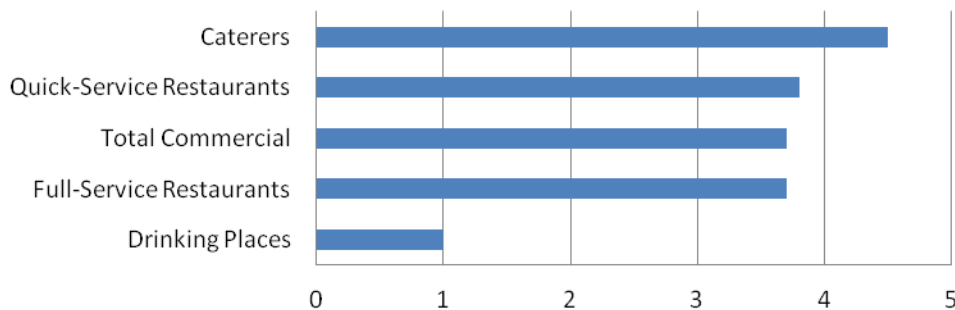
Expected Growth Rate of Canadian Foodservice Sector

CRFA's Commercial Foodservice Sales Forecast (% growth)



Expected Growth Rate by Sub-Sector

CRFA's Average Annual Sales Growth Forecast - % growth (2013-2016)



U.S. Exports of Agriculture, Fish and Forestry Products to Canada (in thousands of U.S. dollars)

Product	2008	2009	2010	2011	2012	% Change

						'11/' 12
Bulk (includes wheat, grains, coffee, sugar etc.)	1,264,266	974,988	973,075	1,003,975	964,928	-3.89
Intermediate (includes oils, seeds, live animals etc.)	2,998,780	2,792,761	2,853,708	3,251,846	3,563,967	9.6
Consumer-oriented (includes snack food, meat, dairy, fruits, vegetables, wine etc.)	11,995,189	11,772,889	12,769,727	14,361,365	15,479,361	7.78
Forest Products	2,404,274	1,808,121	2,118,852	2,227,746	2,365,349	6.18
Seafood Products	769,612	653,409	772,804	900,911	893,020	-0.88
Agricultural Products Total	16,258,235	15,540,639	16,596,511	18,617,185	20,005,257	7.47
Ag, Fish & Forestry Products Total	19,432,121	18,002,169	19,488,167	21,745,842	23,266,626	6.99

Advantages and Challenges for U.S. HRI Food Products

Advantages	Challenges
Majority of U.S. products enter Canada duty free under NAFTA	Dairy and poultry product imports are controlled and limited by a tariff rate quota system
Canadian consumers have a very good perception of U.S. products and much prefer them to products of different origins when Canadian products are not available	Foodservice industry predisposition to buy Canadian first means a unique competitive advantage is necessary
Geographical proximity gives U.S. exporters an advantage in terms of transit time and cost as well as speed after ordering	Geographical vastness encourages regional production and distribution
Familiarity and confidence in Canadian based U.S. hotel, restaurant and fast food establishments	Competition from domestic producers and other countries
Canada's wide ethnic diversity provides broad specialty cuisine	A sophisticated selection of

opportunities	product is already available in the Canadian market
The Canadian dollar is near parity with the U.S. dollar providing a significant boost to U.S. products	Requirements for labeling, formulation and sizing are different than in the United States
Canadian consumers enjoy a high disposable income compared to the rest of the world	
U.S. foods match Canadian tastes and expectations	
Canadian organic food demand exceeds current domestic production stimulating significant imports from the United States. Mutual recognition of each other's organic certification procedures enables U.S. producers to export with a USDA certification.	

Section II: Road Map for Market Entry

Entry Strategy

Though Canada is a long established market for U.S. agricultural products, plenty of opportunities exist for companies interested in exporting. In Fiscal Year 2012 (October 2011 to September 2012), U.S. agricultural exports to Canada grew by almost C\$1.5 billion dollars, or 7 percent over FY2011. Companies in the United States enjoy advantages made possible by an established shipping corridor, similar consumer preferences and expectations as well as favorable duty rates under NAFTA. Canadians are always on the lookout for new and innovative U.S. products, but each sector and product can pose its own challenges. These obstacles can include currency, labeling and customs. With the right tools, these can be overcome. Following are the main steps for U.S. exporters who are looking to enter the Canadian market.

1) Contact your State Regional Trade Group

State Regional Trade Groups (SRTGs) are non-profit organizations representing state agricultural promotion agencies that use federal, state and industry resources to promote the export of food and agricultural products. They can help qualifying exporters to obtain partial reimbursement for some marketing costs.

Food Export Association of the Midwest USA	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin	www.foodexport.org 309 West Washington, Suite 600 Chicago, IL 60606 USA Phone 312.334.9200
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		Fax 312.334.9230
Food Export USA Northeast	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont	www.foodexport.org One Penn Center 1617 JFK Blvd Suite 420 Philadelphia, PA 19103 USA Phone 215.829.9111 Fax 215.829.9777
Southern United States Trade Association	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, the Commonwealth of Puerto Rico	www.susta.org 701 Poydras Street Suite 3725 New Orleans, LA 70139 Phone: (504) 568-5986 Fax: (504) 568-6010
Western United States Agricultural Trade Association	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming	www.wusata.org 4601 NE 77th Ave, Suite 240 Vancouver, WA 98662 Tel: 360-693-3373 Fax: 360-693-3464

Additionally, many commodities have their own marketing associations which may be able to provide additional, product specific information. A listing of the groups who are active in Canada be found here: <http://www.tasteus.ca/about/listing-of-cooperators/>

2) Research the Competitive Marketplace

A thorough understanding of consumer trends and needs is vital to developing a market strategy. The internet offers a wealth of information for U.S. exporters interested in researching the many aspects and particularities of the Canadian food and beverage market. Though some consumer data can only be obtained with a fee, there are several industry specific publications that continuously report on specific developments of interest for U.S. exporters. Some of these resources are listed in the table below. The Foreign Agricultural Service (FAS) publishes reports on Canada throughout the year. These reports can be found at <http://gain.fas.usda.gov>. Additionally, FAS Canada has launched a new website targeted at Canadian consumers. It also contains links to the State Regional Trade Groups and cooperators as well as articles that may be of interest to U.S. exporters. The website can be found at www.tasteus.ca.

The Canadian government has recently passed the "Safe Food for Canadians Act" which will result in changing regulations for food products entering the Canadian market. It will be important to monitor changes caused by this act over the coming year. FAS Canada puts out regular updates on changes in Canada in its "This Week in Canadian Agriculture" (TWICA) newsletters. To be added to this list, please contact the FAS Canada office at agottawa@fas.usda.gov.

Canadian Government Market Information Resources:

Agriculture and	Provides information and research on policies and	www.agr.gc.ca
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Agri-Food Canada	programs. Also provides access to statistics. This Ministry is the counterpart to the USDA.	
Industry Canada	Information on specific sectors, as well as company profiles and other databases	www.ic.gc.ca
Statistics Canada	The official source for Canadian social and economic statistics and products.	www.statcan.gc.ca

Industry Associations:

Canadian Restaurant and Foodservices Association	The largest hospitality association in Canada.	www.crfa.ca
Hotel Association of Canada	National resource for the Hotel and Lodging Industry in Canada.	www.hotelassociation.ca
I.E. Canada (Canadian Association of Importers and Exporters)	I.E. Canada is a national, non-profit organization committed to providing services to develop and enhance the international trade activity and profitability of importers and exporters.	www.iecanada.com
Restaurant Central	Research site maintained by the CRFA	http://www.restaurantcentral.ca/

Industry Publications:

Canadian Grocer	Focus is on retail, but contains good information on market trends.	www.canadiangrocer.com/
Canadian Restaurant and Foodservice News	Bi-monthly publication by the CRFA.	www.crfa.ca
Food in Canada	Focus in on manufacturing, but contains good information on changing requirements and industry developments.	www.canadianmanufacturing.com/food
Foodservice and Hospitality	Monthly magazine focusing on the Hospitality Industry in Canada.	www.foodserviceworld.com
Hotelier Magazine	Published 8 times per year, focuses on hotel industry in Canada	www.hoteliermagazine.com

3) Locate a Broker/Distributor/Importer

It is recommended that most new entrants to the Canadian market secure the services of a broker and/or distributor.

Local representation provides exporters with a domestic advantage to understanding the local, regional and national markets and the opportunities available. Brokers and distributors provide guidance on best business practices, sales contacts, market development, logistics and government regulations. Many also provide merchandising and marketing programs and their volume purchasing power can help reduce retail slotting fees.

The Foreign Agricultural Service offices in Ottawa and Toronto can provide assistance in locating a broker or distributor by assembling lists of potential partners. Contacts can be made while exhibiting at the USDA endorsed pavilion at SIAL Canada. The office has also assembled a [partial list of industry brokers and distributors in central Canada](#).

4) Understand Canadian government standards and regulations that pertain to your product

The Canadian Government has multiple acts that govern the importation and sales of foods. Some of the most important ones are:

- [Canada Agricultural Product Act and Associated Regulations](#)
- [Consumer Packaging and Labelling Act](#)
- [Fish Inspection Act](#)
- [Food and Drug Act](#)
- [Food and Drug Regulations](#)
- [Importation of Intoxicating Liquors Act](#)
- [Meat Inspection Act](#)
- [Weight and Measures Act](#)

A more thorough outline of applicable acts and regulations can be found on the Canadian Food Inspection Agency's website at: www.inspection.gc.ca.

The Canadian Food Inspection Agency, Health Canada and the Department of Foreign Affairs and International Trade are the main government ministries U.S. exporters can contact for specific information when studying regulations with which they need to comply. Though Canada and the U.S. share many consumer trends, cultural similarities and lifestyles, many regulations differ – including nutrition facts, ingredient declarations and health claim labeling. Moreover, as previously mentioned, Canada is in the process of drafting several major regulatory changes. Exporters should make an effort to stay abreast of the latest developments.

Canada Border Services Agency	The Canada Border Services Agency (CBSA) ensures the security and prosperity of Canada by managing the access of people and goods to and from Canada.	www.cbsa.gc.ca
Canadian Food Inspection Agency (CFIA)	Government of Canada's regulator for food safety (along with Health Canada), animal health and plant protection.	www.inspection.gc.ca
Canada Revenue Agency	The Canada revenue Agency (CRA) administers tax laws for the Government of Canada and for most provinces and territories as well as various social and economic benefit and incentive programs delivered through the tax system.	www.cra-arc.gc.ca
Department of Foreign Affairs and International Trade (DFAIT)	The mandate of Foreign Affairs and International Trade is to manage Canada's diplomatic and consular relations and to encourage the country's international trade. DFAIT manages all tariff rate quotas and supplemental import permits for controlled products (primarily dairy and poultry).	www.international.gc.ca

Department of Justice Canada – Justice Laws Website	Online consolidation of PDFs of Canadian Government Acts and regulations.	http://laws-lois.justice.gc.ca/eng/
Health Canada	Administers the Food Safety Assessment Program, which assesses the effectiveness of the CFIA's activities related to food safety.	www.hc-sc.gc.ca

For more information on food labeling and other information useful to U.S. food exporters, refer to the Canada 2012 Exporter Guide on the FAS Website at <http://gain.fas.usda.gov>.

Information exporters need to understand about labeling regulations can be found on the following sites:

Nutrition Labelling Resource Page

<http://www.inspection.gc.ca/english/fssa/labeti/quest/gengene.shtml>

The Guide to Food Labelling and Advertising

<http://www.inspection.gc.ca/food/labelling/guide-to-food-labelling-and-advertising/eng/1300118951990/1300118996556>

In order to better provide information, the CFIA maintains a National Import Service Centre (NISC), which handles telephone inquiries regarding import requirements and inspections, in addition to processing import documentation and data. The contact information of the NISC is as follows:

7:00 a.m. to 03:00 a.m. (Eastern Time)

Telephone and EDI: 1-800-835-4486 (Canada or U.S.A.)

1-289-247-4099 (local calls and all other countries)

Facsimile: 1-613-773-9999

5) SIAL Canada

The USDA and FAS Canada endorse and organize a U.S. pavilion at SIAL Canada every year. The next SIAL Canada show is scheduled for April 30 to May 2 in Toronto, Ontario. For further information, please contact:

Office of Agricultural Affairs

Embassy of the United States of America

P.O. Box 866, Station B

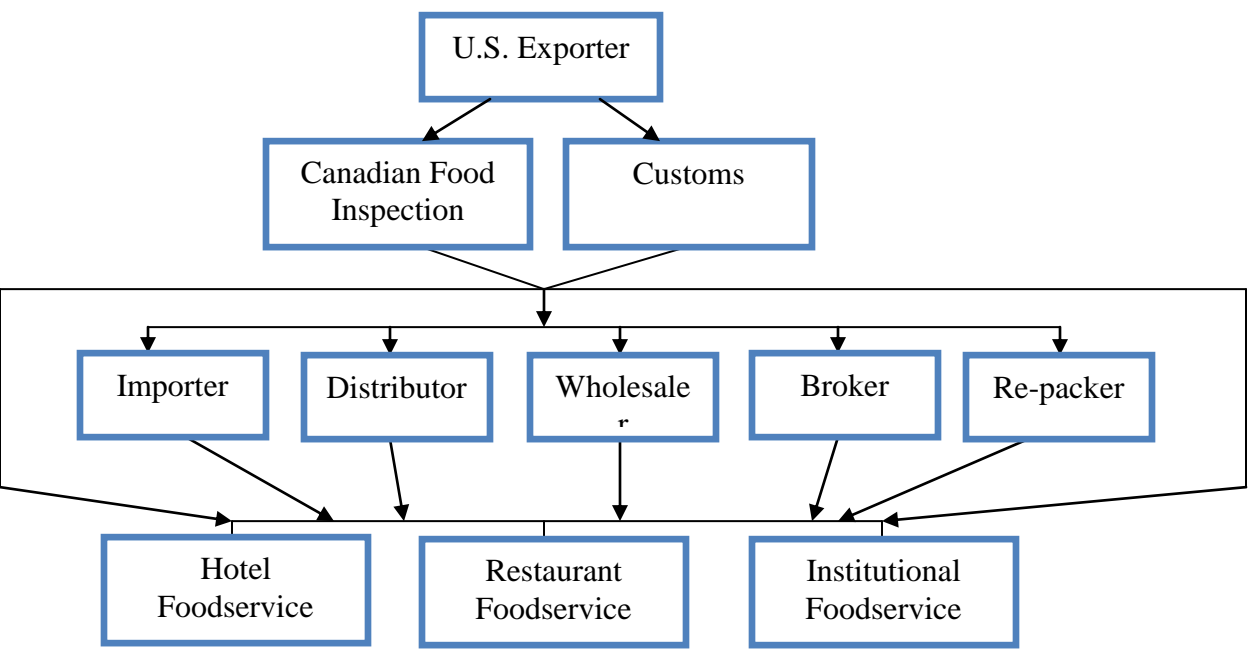
Ottawa, Ontario

Phone: (613) 6885267

Fax: (613) 6883124

Email: agottawa@fas.usda.gov

Market Structure



Domestic and imported food products in the Canadian market may route directly to foodservice establishments but most filter through importers, brokers, distributors, wholesalers and/or re-packers. Smaller restaurants or hotel foodservice establishments make food service purchases through a wholesaler or distributor. Large chains may choose to purchase directly through customized growing agreements, contract purchasing, central procurement office or from a chain-wide designated distributor. Many Canadian foodservice establishments purchase the majority of product through the large foodservice distributors like Gordon Food Service and Sysco. Specialty and niche products are often purchased through smaller distributors. FAS Canada has assembled a partial list of industry brokers and distributors in a report entitled [Agent and Broker Directory – Central Canada](#). Additionally, Western Grocer also maintains a [list of brokers](#) on its website. These companies primarily handle retail outlets, but some deal with foodservice as well.

Sub-Sector Profiles

Hotels and Resorts

Company Name	Outlet Name, Type & Number of Outlets	Sales (C\$ Mil)/Year	Location
Four Seasons Hotels and Resorts ²³	86	\$ 1,210.0	Global
Fairmont Raffles Hotels International ²³	99	\$ 1,205.0	Global

Company Name	Outlet Name, Type & Number of Outlets	Sales (C\$ Mil)/Year	Location
Northland Properties Corporation	199 (Sandman Hotel Group, Sutton Place Hotels and restaurants Denny's, Moxie's, Shark Club, Chop Steakhouse, Rockford Grill)	\$ 470.0	National
Westmount Hospitality Group ³	167 (manages various brands including Holiday Inn, Radisson and Delta)	\$ 270.0	National
Starwood Hotels & Resorts Worldwide	60 (in Canada)	\$ 166.0	Global
Hilton Worldwide Inc. ¹	84 (in Canada)	\$ 147.0	Global
Best Western International ¹	198	\$ 117.7	Global
Marriott Hotels of Canada	66	\$ 106.1	National
Coast Hotels & Resorts	31	\$ 57.3	National
Atlific Hotels ¹	46 (manages various brands including Holiday Inn, Crowne Plaza and Marriott)	\$ 55.0	National
Source: Foodservice and Hospitality Magazine Top 100 Report			
1 - Foodservice sales only			
2 - Canadian owned company whose operations outside Canada are reflected in revenues and units			
3 - Sales estimated			

In 2011, the accommodation sector in Canada generated C\$16.4 billion in revenue. For 2012, the occupancy rate was projected to reach 62 percent while the average daily rate was expected to be C\$129. Over half of all overnight travel in Canada by Canadian residents is for pleasure. Hotels are by far the most common choice for overnight stays.

Restaurants

Company Name	Outlet Name, Type & Number of Outlets	Sales (C\$ Mil)/Year	Location
Tim Horton's Inc. ²	4,014	\$ 6,058.0	National and U.S.

Company Name	Outlet Name, Type & Number of Outlets	Sales (C\$ Mil)/Year	Location
McDonald's Restaurants of Canada Ltd.	1,408	\$ 3,550.0	National
Subway	2,717	\$ 1,500.0	National
Cara Operations	689 Swiss Chalet, Harvey's, Kelsey's, Montana's, Milestones, Coza!	\$ 1,311.0	National
Starbucks Coffee Canada Inc.	1,115	\$ 1,200.0	National
Yum! Restaurants International (Canada)	1,028 KFC, Pizza Hut, Taco Bell	\$ 1,100.0	National
Boston Pizza International Inc. ²	392	\$ 905.0	Global (346 in Canada)
A&W Food Services of Canada Inc.	749	\$ 824.6	National
Wendy's Restaurants of Canada inc.	368	\$ 641.0	National
MTY Tiki Ming Enterprises Inc. ²	2,263 Jugo Juice, Koryo Korean Barbeque, Mr. Sub	\$ 528.0	Canada and the U.S.
Source: Foodservice and Hospitality Magazine Top 100 Report			
2 - Canadian owned company whose operations outside Canada are reflected in revenues and units			
3 - Sales estimated			

Quick-service restaurants (QSRs) in Canada have been upgrading the quality and nutrition of their food, specifically items such as coffee, pizza and burgers. The sector has been making gains on the casual dining sector in Canada. QSRs have also been upgrading their interiors to help bolster customer experience as well.

Institutional

Company Name	Outlet Name, Type & Number of Outlets	Sales (C\$ Mil)/Year	Location
Compass Group Canada	1,450 (focus on educational institutions, hospitals, airports, businesses)	\$ 1,500.0	National

Company Name	Outlet Name, Type & Number of Outlets	Sales (C\$ Mil)/Year	Location
Aramark Canada Ltd. ⁴	1,500 (focus on health-care, educational, public and remote-market businesses)	\$ 916.0	National
Sodexo Canada Ltd.	750 (focus on educational institutions, hospitals and corporate businesses)	\$ 550.0	National
Cineplex Entertainment LP ¹	446	\$ 291.6	B.C. to Quebec
British Columbia Ferry Services Inc.	36	\$ 56.4	Coastal B.C.
Dana Hospitality Inc.	104 (residential and educational foodservice, resource industries, seniors' market)	\$ 47.0	National
ClubLink Corporation	46 (Golf Courses)	\$ 40.7	National
byPeterandPauls.com	7 (catering and banquet halls)	\$ 27.0	Ontario
Metro Toronto Convention Centre	1	\$ 25.0	Toronto
Stagewest Hospitality	8	\$ 24.3	National
Source: Foodservice and Hospitality Magazine Top 100 Report			
1 - Foodservice sales only			
2 - Canadian owned company whose operations outside Canada are reflected in revenues and units			
3 - Sales estimated			
4-Fiscal Year Data			

Competition

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
FRESH FRUITS & VEGETABLES VEGETABLES: CANADIAN GLOBAL IMPORTS: U.S.\$2.2 BILLION	VEGETABLES: 1. U.S.: 66% 2. Mexico: 25% 3. China: 2%	<ul style="list-style-type: none"> Canada is the largest foreign buyer of U.S. fruits and vegetables. The U.S. benefits from relatively unimpeded export access into Canada during Canada's winter or non-growing months. Among imports, U.S. fruits and vegetables are viewed by most Canadians as their number one choice to other imports. Mexico gained significant share of the market due to lower prices. Their leading products are tomatoes, peppers, avocados, mangos, and limes. Recently, Mexico has begun offering strawberries. Chile is competitive with their leading exports of grapes and berries. They offer apples and cherries as well. 	<ul style="list-style-type: none"> Dry onions, carrots, lettuce, sweet corn, cabbage are the leading vegetables sold in the fresh market. Apples are the largest production item, followed by blueberries, cranberries, grapes and peaches. Seasonality poses a constraint to growers; Canada imports 80% of its fresh vegetables between November and June. The 'Buy Local' campaigns are well supported by grocery retailers starting in June through October with year round support becoming more common as well.
FRUIT: CANADIAN GLOBAL IMPORTS: U.S. \$3.1 BILLION	FRUIT: 1. U.S.: 48% 2. Mexico: 11% 3. Chile: 10% 4. Costa Rica: 6%		
PROCESSED FRUITS AND VEGETABLES CANADIAN GLOBAL IMPORTS: U.S. \$ 1.9 BILLION	1. U.S.: 59% 2. China: 9% 3. Thailand: 4%	<ul style="list-style-type: none"> The U.S imports amounted to U.S\$ 1.2 billion. There is a full range of prepared and frozen products. Major products are prepared potatoes, tomato paste, mixed fruits, and a variety of processed vegetables. The U.S. is a major player in the market with established process brands. China has seen a 15% growth in the category of dried fruits and vegetables. Thailand's major products are pineapples and fruit mixtures. 	<ul style="list-style-type: none"> Canadian companies process a wide range of canned, chilled, and frozen products. Adoption of advanced technologies in food processing has been fairly extensive among Canadian processors. Statistics Canada reported almost 50% companies reported adopting more than 5 new technologies in their operations. Higher manufacturing and operation costs than in the U.S.
SNACK FOODS CANADIAN GLOBAL IMPORTS: U.S. \$ 1.5 BILLION (excluding nuts)	1. U.S.: 58% 2. Germany: 5% 3. Belgium: 5 % (U.S. share of sub category 82%)	<ul style="list-style-type: none"> The U.S. dominates this category given the more perishable and bulky nature of some products, such as chips, which adds significantly to shipping costs. Competitors vary by sub category, with the main competitors being: Germany (cocoa, confectionaries and chocolate), Belgium (chocolate and confections), U.K. and Switzerland (chocolate, along with confection and non-confection items). 	<ul style="list-style-type: none"> Canada's snack food imports have grown by U.S. \$ 316 million since 2006. The category includes chocolate and non-chocolate confectionary, cookies, crackers, potato chips, corn chips, popped popcorn, pretzels, and extruded cheese snacks, seed snacks, mixed nuts, peanuts and peanut butter, as well as pork rinds. The snack food industry is served primarily by domestic manufacturers, however domestic market share is being

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
			<p>lost to imports. The rapid increase in imports is due both to the strengthening Canadian dollar and a number of new products in the category, many targeted at specific ethnic groups</p> <ul style="list-style-type: none"> Canada does have domestic raw materials for the grain based products but has to import sugar, chocolate, cacao, and nuts for manufacturing and is not competitive on dairy and egg ingredients used in some of the processing.
<p>RED MEATS (Fresh/Chilled/Frozen)</p> <p>CANADIAN GLOBAL IMPORTS:</p> <p>U.S. \$1.7 BILLION</p> <p>RED MEATS (Prepared/Preserved)</p>	<p>1. U.S.: 79%</p> <p>2. New Zealand: 12%</p> <p>3. Australia: 6%</p> <p>1. U.S.: 94%</p> <p>2. Thailand: 2%</p> <p>3. Brazil: 2%</p>	<ul style="list-style-type: none"> Beef imports fall into two distinct categories. The largest portion of imports being chilled cuts traditionally from the U.S. Midwest heavily destined for the Ontario region. The other part is frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes). Uruguay, which is beginning to make inroads in the manufacturing market, remains ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons. 	<ul style="list-style-type: none"> Canada continues to grow as a key U.S. pork export market. Canadian hog production numbers have been declining across the country and U.S. pork imports are up 6.5% due to market structures and the Canadian strong dollar. The industry has worked its way out of the inventory surge from the BSE trade disruption. Canadian exports have been sluggish due to a strong Canadian dollar but increased by 1% in 2011. Canadian per capita basis consumption has declined since 2006 from 31 kilograms to 29 kilograms.
<p>FISH & SEAFOOD</p> <p>CANADIAN GLOBAL IMPORTS: U.S. \$ 2.4 BILLION</p>	<p>1. U.S.: 36%</p> <p>2. China: 16%</p> <p>3. Thailand: 16%</p>	<ul style="list-style-type: none"> Two major categories make up approximately half of the imports: Crustaceans (including lobster, crab, shrimp and prawn) totaling U.S. \$ 915 million with the U.S. representing 34% market of the share; Thailand's share is 26% and China's is 11%. The other category is fresh and frozen fish fillets. Canada world imports are U.S. \$ 1 billion with the U.S. share at 24% followed by China at 24%, Thailand at 14%, and Chile at 10%. Fish filleting is extremely labor intensive, which accounts for the rapid penetration of China and Thailand in this segment. With ocean catches having peaked, aqua culture is becoming a more important 	<ul style="list-style-type: none"> Declining fish stocks have led to almost zero growth in fish and seafood catch over the last decade. In total, the capture fishery accounts for 76 percent of total fish and seafood production in Canada. Lobster, crab and shrimp comprise 67% of the landed value of all fish and shellfish harvested in Canada. Aquaculture is increasing in importance. Key products include farmed salmon, trout, steelhead, arctic char, blue mussels, oysters and manila clams. At approximately 50 lbs. per person, Canadian consumption of fish is significantly higher than

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
		<p>source of product and China is the dominant producer of farmed fish and seafood in the world.</p> <ul style="list-style-type: none"> ▪ A growing concern among consumers and retailers for sustainable production practices may help some U.S. fish processors. ▪ More than two-thirds of seafood is sold by retailers. 	<p>in the U.S. 16.5 lbs. per person, making Canada an excellent export market for U.S. exporters.</p>
BREAKFAST CEREALS/PANCAKE MIXES CANADIAN GLOBAL IMPORTS: U.S. \$ 424 MILLION	1. U.S.: 93% 2. U.K.: 2% 3. Mexico: 1%	<ul style="list-style-type: none"> ▪ Breakfast cereal imports have grown by over US \$150 million since 2006. The U.S. continues to dominate imports although a variety of competitors are all growing small niche positions. ▪ Canada represents the largest market for U.S. Breakfast cereals accounting for approximately half of U.S. exports. 	<ul style="list-style-type: none"> ▪ Sales and manufacturing in Canada is largely controlled by U.S. based companies. ▪ Domestic non-U.S. owned competitors tend to be in the specialty or organic breakfast cereal business. ▪ Canadian consumption of breakfast cereals reached an annual 9 lbs per person. ▪ Three key trends in cereal consumption have driven continues growth, reduced sugar, high fiber whole wheat, and hot cereals.
FRUIT & VEGETABLE JUICES CANADIAN GLOBAL IMPORTS: U.S. \$739 MILLION	1. U.S.: 60% 2. Brazil 15% 3. China 7%	<ul style="list-style-type: none"> ▪ U.S. imports to Canada increased and fastest growing juice category, fresh orange juice. ▪ Brazil is the leader in frozen orange juice concentrate, the second largest imported juice category, with 70% of the import share. ▪ China's major juice export to Canada is fortified apple juice; China represents 89% of this import market. 	<ul style="list-style-type: none"> ▪ Canada is a major per capita consumer of citrus juices but is unable to grow these products. It will continue to be an exceptional value added market for the U.S. ▪ Both Canada and the U.S. have experienced major penetration by Chinese apple juice due to the major shift of Chinese agriculture toward labor-intensive crops and labor intensive processing.
NUTS CANADIAN GLOBAL IMPORTS: U.S. \$609 MILLION	1. U.S.: 54% 2. Turkey: 15% 3. Vietnam 9%	<ul style="list-style-type: none"> ▪ In 2010 and 2011 U.S. imports of almonds, peanuts and walnuts increased between 26% to 28% from the previous year. ▪ US products, led by peanuts and almonds, are preferred by Canadian importers as it meets Canadian sanitary and phytosanitary standards consistently. ▪ Turkey is a competitive supplier of Hazelnuts. ▪ Vietnam competes with cashew nuts. ▪ Growing trend of nut allergens by Canadians has caused the 	<ul style="list-style-type: none"> ▪ Canadian per capita consumption of peanuts and tree nuts increased respectively from 2.4 to 2.7 kg and 1.2 to 1.3 kg from 2005 to 2006. ▪ Canada has areas of Ontario, which can grow peanuts, but it has not done so in commercial quantities as the returns are not competitive with other crop alternatives. Similarly British Columbia and other provinces produce small quantities of a number of tree nuts including hazelnuts. However, in general, Canada is not price competitive.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
		Canadian Food Inspection Agency and Health Canada to set specific allergen labeling regulations for all suppliers. Many schools and public spaces (including Air Canada) are banning nuts to maintain a safe environment for those with allergies.	
PET FOOD (Dog and Cat) CANADIAN GLOBAL IMPORTS: U.S. \$ 536 MILLION	1. U.S.: 94% 2. China: 2% 3. Thailand: 2%	<ul style="list-style-type: none"> U.S. imports of dog and cat food registered at U.S. \$ 505 million in 2011. Canadians regard U.S. pet foods as a trusted and quality product. 	<ul style="list-style-type: none"> Pet food sector is largely U.S. owned multinationals. Canada has approximately 17 (non-raw) pet food manufacturers. New pet food importation requirements have been in place as of June 2009. More than 322,000 tons of pet food is sold in Canada.

Products Facing Significant Barriers in Exporting to Canada

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
POULTRY CANADIAN GLOBAL IMPORTS: U.S. \$331 MILLION	1. U.S.: 85% 2. Brazil: 12 % 3. Chile: 2 %	<ul style="list-style-type: none"> The U.S. is the world's largest producer of poultry meat. Brazil is the largest exporter of poultry meat and can land product in Canada at a lower cost compared to the U.S. Brazil has rapidly expanded its share of the Canadian broiler market except with Canadian further processing plants that do not want to take the risk of commingling U.S. and Brazilian origin which would result in being unable to sell processed products to the U.S.A. Increases in imports of U.S. chicken are due in part to imports under the Canadian Import for Re-Export Program (IREP). 	<ul style="list-style-type: none"> The Canadian poultry industry is a Tariff Regulated Industry with live bird and meat prices well above the world market. The Canadian strategy has been to differentiate the product particularly at retail through air chilling and such additional attributes as 'vegetable grain fed chicken.' However the scale of plant operations in Canada remains relatively small due to the supply managed system. In an effort to mitigate this and to offset difficulty obtaining labor, Canadian processing plants are among the most highly mechanized sectors in Canadian agriculture and employ the latest in robotics. The Canadian industry has significantly increased surveillance since the A.I. outbreaks in B.C. in 2004 and has continuously improved bio-security measures.
DAIRY CANADIAN GLOBAL IMPORTS: (excluding cheese) : U.S. \$ 306 MILLION	1. U.S.: 61% 2. New Zealand: 17 % 3. Argentina: 9%	<ul style="list-style-type: none"> The U.S.'s close proximity to market, speedy delivery, and significant freight advantage has allowed it to be competitive in the Canadian Import for Re-export Program (IREP) which allows U.S. dairy product to be imported into Canada duty free, and used in further processing, provided the product is subsequently exported. The European Union has a 	<ul style="list-style-type: none"> The Canadian dairy market operates under a supply management system, which attempts to match domestic supply with domestic demand while paying producers on a cost of production related formula. This system has tended to price dairy products above prevailing world levels. Imports are controlled under Tariff-rate-quota (TRQ) and over quota imports are subject to high tariffs. American suppliers have taken advantage of the Import for Re-export Program (IREP), which allows Canadian processors to import

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
(Cheese) : U.S. \$265 MILLION	1. Italy.: 23% 2. France: 21.5% 3. U.S.: 21%	<p>distinct advantage in the cheese trade since it has been allocated 66% of Canada's cheese quota as a result of the 1994 Agreement on Agriculture (AoA). Italy recently surpassed France as the largest supplier of cheese from the E.U.</p> <ul style="list-style-type: none"> New Zealand has a cost leadership advantage. Low costs of production due to the availability of year-round pasturage have helped New Zealand achieve a 30% share of world dairy exports. New Zealand has an additional advantage on butter imports into Canada and hold 61% of Canada's import quota for butter. 	<p>dairy products used in manufacturing provided the product is exported. The U.S. is the largest user of this program due to the perishable nature of the products.</p> <ul style="list-style-type: none"> Canadian tariff rate quotas stipulate a 50 percent dairy content guideline for imported product, resulting in the creation of ingredients and blend products that are designed to circumvent this guideline. Butter-oil-sugar blends were the first major products to be imported tariff-free, displacing Canadian milk for ice cream. More recently there has been an increase in flavored milks imported as "beverages" and a number of milk proteins which are not captured by the dairy TRQ. For example milk albumin from whey concentrates destined for dairy manufacturing increased by U.S. \$ 10 million between 2010 and 2011.
EGGS & EGG PRODUCTS CANADIAN GLOBAL IMPORTS: U.S. \$75 MILLION	1. U.S.: 95% 2. China: 4%	<ul style="list-style-type: none"> The U.S. egg industry traditionally fills Canada's needs when supply is seasonally low. There were significant increases in U.S. imports following the Avian Flu outbreaks in B.C. to both avert shortages in the market and rebuild the hatching egg supply. The U.S. has also become a supplier of organic eggs to Canada. 	<ul style="list-style-type: none"> Canada's egg industry operates under Supply Management, which is designed to encourage production of a sufficient volume of eggs to meet market needs without creating surplus. The market is protected by high tariffs. Today, about 75% of Canada's total egg production is sold for the table market, while the remaining 25% is used in the manufacturing of value-added food and other products (liquid, frozen or dried form). These supplies are supplemented by imports and a Tariff Rate Quota system. The Canadian industry has made considerable inroads at retail with differentiated egg offerings such as "free range", Omega 3, and Organic all of which are sold at a premium... The Canadian Egg Marketing Agency has a sustained media campaign focused on the health benefits of eggs to support retail movement.

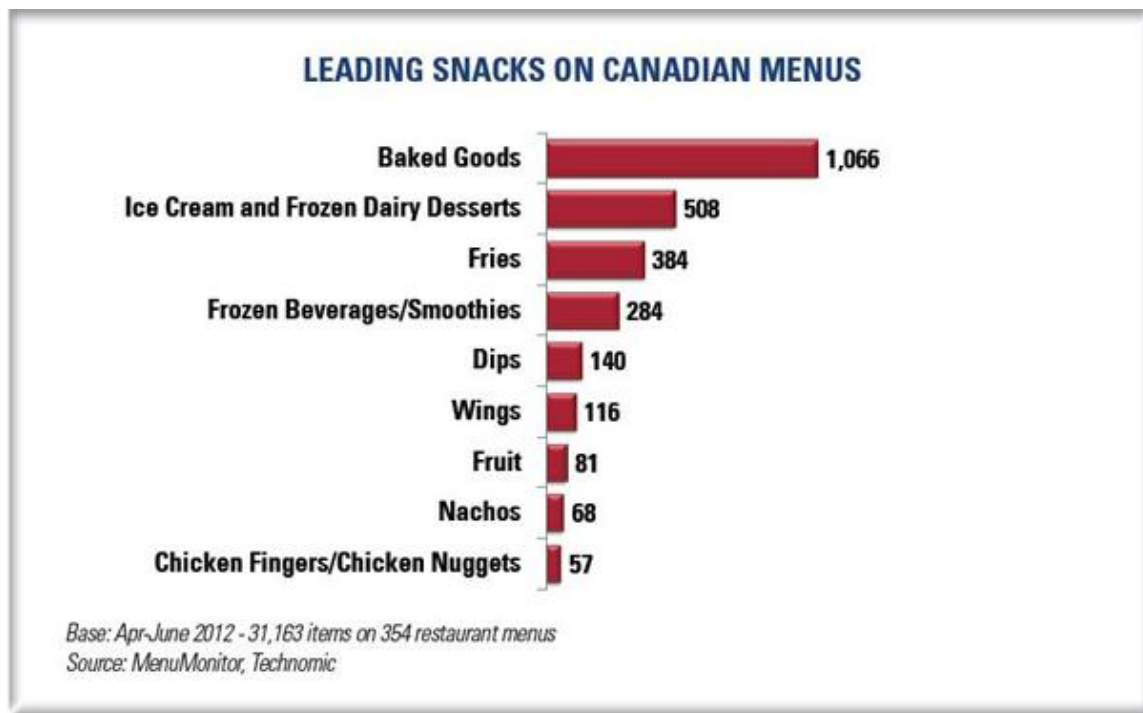
Best Product Prospects

Diet Friendly

Healthy eating has been a growing trend in Canada over the last several years. As a result, many Canadians have become more aware of what their food contains and have identified certain ingredients they would like to exclude. Demand for foods that are free of gluten, trans-fats, sugar and/or lactose is growing. Functional foods and organics also continue to be popular. Voluntary sodium reductions are taking place in processed products of all kind to take advantage of this trend.

Snacking

Snacking continues to grow in importance in the Canadian market. In Technomic's 2012 "Canadian Snacking Consumer Trend Report," 56 percent of respondents revealed that they snack at least twice per day. Foodservice outlets are responding by altering their menus, McDonald's snack wraps are an example. Snacking also blurs the line between traditional dayparts, which has caused some outlets to extend their service to allow for late-night options, longer breakfast hours etc. As an extension of this, small plates and sharing meals are also becoming more popular in foodservice outlets.



Vegetables

Vegetables are moving to the center of the plate in Canada and are no longer treated as solely side dishes. This is a continuation of the trend toward healthy eating, which is now seeing more consumers embrace "flexitarian" choices that do not always include meat. Leafy greens, such as kale and mustard greens, are particularly expected to grow further in popularity in 2013.

Ethnic Foods

Asian food is projected to continue to grow in popularity in the coming year. While Southeast Asian cuisine will again be popular, there will also be a focus on more traditional and regional offerings from China and Japan. In many cities in Canada, izakayas (casual, Japanese drinking establishments) as well as noodle and ramen bars are popping up. In addition, meals that are a fusion of cuisines (i.e. Vietnamese and Italian) will become more common.

Post Contact and Further Information

Conversion Rate

Per the most recent Bank of Canada noon rate, on December 20, 2012, 1.00 Canadian Dollar(s) = 1.01 U.S. dollar(s), at an exchange rate of 1.0118 (using nominal rate).

Foreign Agricultural Service (FAS) Ottawa

From the U.S.: Office of Agricultural Affairs American Embassy P.O. Box 5000 Ogdensburg, NY 13669 USA	From Canada: Office of Agricultural Affairs P.O. Box 866, Station B Ottawa ON K1P 5T1 Canada
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Telephone: (613) 688-5267

Fax: (613) 688-3124

Email: agottawa@usda.gov

Scott Reynolds, Agricultural Minister-Counselor

Robin Gray, Agricultural Attaché

Mihai Lupescu, Agricultural Specialist

Erin Danielson, Agricultural Specialist

Sonya Jenkins, Agricultural Marketing Specialist

Joyce Gagnon, Administrative Assistant

FAS Toronto:

From the U.S.: Foreign Agricultural Service U.S. Consulate General Toronto P.O. Box 135 Lewiston, NY 14092-0135 USA	From Canada: Foreign Agricultural Service U.S. Consulate General Toronto 480 University Avenue, Suite 602 Toronto, ON M5G 1V2 Canada
---	--

Telephone: (416) 646-1656

Fax: (416) 646-1389

Email: agtoronto@fas.usda.gov

Maria Arbulu, Senior Agricultural Marketing Specialist

Market Sector Reports:

Listed below are the food sector and marketing reports published by FAS Canada. For a complete listing of other Post reports and of FAS' worldwide agricultural reporting, visit the FAS GAIN web page at <http://gain.fas.usda.gov>.

This Week in Canadian Agriculture is a periodic newsletter containing summaries of developments in the Canadian market, including regulatory changes. To be added to the distribution list, please contact FAS Canada at agottawa@fas.usda.gov.

CA12050	FAIRS Export Certificate Report	12/21/2012
CA12049	Export Guide: A Practical Guide	12/21/2012
CA12048	This Week in Canadian Agriculture – Issue 22	12/19/2012
CA12046	The New Legislative Framework for Animal Traceability - Public	12/03/2012
CA12045	This Week in Canadian Agriculture – Issue 21	11/26/2012
CA12044	This Week in Canadian Agriculture – Issue 20	11/13/2012
CA12042	Grain and Feed Annual	10/30/2012
CA12041	Fresh Deciduous Fruit Annual	11/02/2012
CA12040	This Week in Canadian Agriculture – Issue 19	10/18/2012
CA12039	Dairy Annual	10/15/2012
CA12037	Potatoes Annual	10/01/2012
CA12036	Livestock Annual	09/11/2012
CA12035	This Week in Canadian Agriculture – Issue 18	08/17/2012
CA12034	Poultry and Products Annual	08/16/2012
CA12033	This Week in Canadian Agriculture Issue 17	08/14/2012
CA12032	This Week in Canadian Agriculture Issue 16	08/03/2012
CA12031	Grain and Feed July Quarterly	07/27/2012
CA12030	FAIRS Country Report	07/27/2012
CA12029	Biotechnology Annual	07/20/2012
CA12028	This Week in Canadian Agriculture, Issue 15	07/20/2012
CA12027	Biofuels Annual 2012 – revised	07/20/2012
CA12025	This Week in Canadian Agriculture, Issue 14	07/06/2012
CA12024	Biofuels Annual 2012	06/29/2012
CA12022	This Week in Canadian Agriculture, Issue 13	06/15/2012
CA12021	This Week in Canadian Agriculture, Issue 12	06/01/2012
CA12020	This Week in Canadian Agriculture, Issue 11	05/17/2012
CA12019	This Week in Canadian Agriculture, Issue 10	05/10/2012
CA12018	This Week in Canadian Agriculture, Issue 09	05/04/2012
CA12017	This Week in Canadian Agriculture, Issue 08	04/27/2012
CA12016	This Week in Canadian Agriculture, Issue 07	04/25/2012
CA12015	Oilseeds and Products Annual - Canada	04/10/2012
CA12014	Grain and Feed Annual Report - Canada	04/03/2012
CA12011	Retail Food Sector Report for Canada	03/08/12
CA12010	This Week in Canadian Agriculture, Issue 06	03/02/2012
CA12009	Livestock Semi-annual	03/02/2012
CA12008	This Week in Canadian Agriculture, Issue 05	03/02/2012

CA12006	Northern Trends – Winter 2012	02/03/2012
CA12005	Grain And Feed Quarterly	01/27/2012
CA12004	This Week in Canadian Agriculture, Issue 04	01/25/2012
CA12003	This Week in Canadian Agriculture, Issue 03	01/19/2012
CA12002	This Week in Canadian Agriculture, Issue 02	01/11/2012
CA12001	This Week in Canadian Agriculture, Issue 01	01/06/2012